



## ***Community Solutions Report***

***June 24, 2004***

***Mayor's Streets, Roads, & Trails Committee***

### **I. Introduction.**

The "Mayor's Streets, Roads and Trails Committee" (SRT) was asked by Mayor Coleen Seng to follow up on the work done by Mayor Don Wesely's "Mayor's Infrastructure Finance Committee." The task was to identify possible funding solutions to Lincoln's infrastructure funding gap of \$135 million over six years. The SRT Committee consisted of a wide range of citizens from across the community representing neighborhoods, small businesses, downtown, builders and developers and organized labor.

In the process of their work, the SRT Committee identified five crucial reasons for closing the funding gap: 1) Creating new jobs from street construction, home building, business expansion, and new business locating in Lincoln; 2) Housing affordability for working families and employees of new businesses seeking to locate in Lincoln; 3) Relieving traffic congestion to improve efficiency, worker productivity and convenience for Lincoln residents; 4) Maintaining the quality of emergency fire, ambulance and police protection with adequate transportation; and, 5) Funding streets projects now will take advantage of Lincoln's AAA bond rating and the historic low bond interest rates to fund needed projects.

The SRT Committee believes that doing nothing to solve the infrastructure funding problem is not an option. A series of studies have documented that there currently exists a considerable number of outstanding transportation-related needs and projects for which the City has inadequate resources to address in a timely manner. As Lincoln continues to grow these transportation needs will also continue to increase. If our community does not act now to identify new revenue resources to meet our existing and future transportation needs, this backlog will only continue to grow and cost more taxpayer dollars. In short, the SRT Committee believes that the decision faced by Lincoln is a simple choice: pay now to maintain our outstanding quality of life or do nothing and pay more later.

### **II. Developing a Public Consensus: The Community Solution Forums**

The Community Solutions forums were held to educate the public on the need and gather opinions on the funding options for the street construction necessary to complete the next six years of the Lincoln-Lancaster County Comprehensive Plan. The SRT Committee felt it imperative to build consensus behind a finance plan because strong public support is crucial to addressing Lincoln's long-term commitment to infrastructure development.

The SRT's commitment to a public consensus was reflected in its efforts to invite Lincoln's citizens to attend the meetings. The Committee used radio, newspaper ads, direct mail and electronic roadside signs to encourage as many people as possible to attend the Community Solutions forums. An interactive website was also developed to provide even greater access to the process. As a result, over 600 people attended the five district meetings and many group presentations and the website received more than 2,000 hits, providing the SRT committee with invaluable feedback and the broad outlines of a solution to Lincoln's Infrastructure Financing challenge.

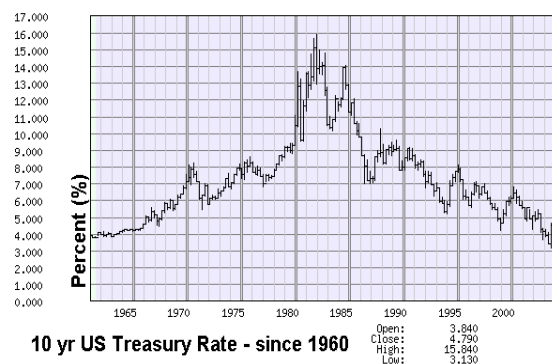
At each meeting, the participants were briefed on six financing options to close the six-year \$135 million funding gap, including overall costs, costs to individuals/households, and the positive and negative aspects of each option. The participants were encouraged to discuss these choices, offer their views, and ask questions of the SRT Committee presenters and city staff. Participants were given the opportunity to express their funding preferences by placing colored dots on a chart of various options – as well as writing their views on comment sheets provided to them at the meeting. The Committee used this measure to gauge support for each option. The results of the dot exercise are included at the end of this report. During the course of these Community Solution meetings, the Worker Tax funding option was added to the original six options because of strong participant interest. While the results should not be regarded as a scientific finding of public opinion, the SRT Committee believes that the information generated at the forums provide a strong direction for the actions necessary to solve the funding gap.

## **I. Taxpayer Savings**

The SRT's Committee's ideas to help close the current street funding gap and reduce future street costs through cost savings was presented to Community Solution forum participants for their input:

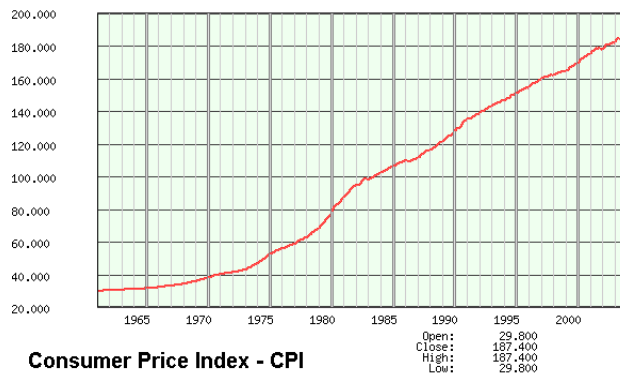
### **Saving money by borrowing during times of historically low interest rates.**

The committee pointed out that Lincoln has a AAA/AAA credit rating that only 39 other communities nationwide enjoy. This means that during a period when interest rates are at their lowest level, Lincoln's borrowing cost is the lowest in the nation. As the chart above indicates, interest rates are near their lowest level in 40 years. A good example is the City's experience with the highway allocation bonds that help build roads. The issuance of bonds at 4.0% interest generated \$38 million dollars. If the interest had been 6.0%, the city would have gotten only \$32 million, a 16% decrease in return on the same amount of money invested.



## Avoiding higher construction costs by acting now.

As the chart to the right indicates, inflation (as represented by the CPI) has steadily risen over the last 45 years. Borrowing and building today at low interest rates will likely be cheaper than deferring projects and building in the future. For example, assuming a 4% rate of inflation, deferring the \$70 million worth of street projects would obligate taxpayers to an additional \$8.7 million in costs.



## Bidding projects during times of slack demand realizes significant savings to taxpayers.

During the 1990s, construction firms had more business and bids were not as favorable to the City and its taxpayers. The City expects to receive more competitive project bids because we are currently in a period of slack demand. By moving forward now on street construction projects, the City expects to reap significant savings. Clustering and building projects on a larger scale than past projects should also yield additional savings to taxpayers.

## Implement the Rural to Urban Transition Streets plan (RUTS).

Currently, the County obtains road right-of-way and builds a road to a rural standard. When the City expands, the road is torn up and rebuilt to a City standard, costing additional taxpayer dollars and creating traffic delays. The new RUTS plan saves taxpayer dollars long term by acquiring the right-of-way needed for the City road standard, grading new roads to a City standard, and building County roads at an offset. This can prevent traffic problems and save costs when the road needs to be changed to a City standard. The problems at 14<sup>th</sup> Street south of Old Cheney offer compelling evidence as to the importance of the RUTS program. Under RUTS, 14<sup>th</sup> Street would have remained open while the street was widened and City taxpayers would have saved \$1.6 million.

## II. Funding Options

The SRT identified several funding options that were presented to the community:

- General Obligation Bonds at \$50 million, \$60 million or \$70 million.
- A Local 3-cent or 5-cent Local Occupation Tax on Gasoline.
- A State 2-cent Fuel Tax Increase.
- Shifting the \$4.8 million per year of the City's share of the Vehicle Sales Tax from the General Fund to Street Construction within the City's budget.
- **A θοιντ Πυβλιχ Τρανσπορτατιον Αυτηοριτη τηατ ωουλδ αλλοω τηε Χιτη ανδ Χουντη το φοιντλη ταξ αλλ χουντη ρεσιδεντς φορ ροαδ χονστρυκτιον.**
- A Worker Tax on all full-time Lincoln employees, added to the options by popular demand at the Northeast Community Solution forum.

## VII. Conclusions

From the discussion, forum participants' "dot exercises" and website responses, the SRT Committee concluded the following:

### **1. The Community sees the need for a limited, one-time infusion of money to solve the backlog of street projects.**

Forum participants were clear that the infrastructure and street construction backlog needs to be corrected. The three General Obligation Bond choices received 280 "dots" with the \$70 million bond receiving the most support of any option presented. Many participants were persuaded by the argument that the increasing costs of construction would only make the street projects more expensive over time and that the City needed to take immediate action to save on inflationary costs.

Many agreed that the City of Lincoln should take advantage of its outstanding bond rating to issue the bonds while historically low interest rates are still available. Others liked the limited life of the bonds and that bond funds could be used only for the specific purpose the voters approved. Unlike some taxes that are continuous, the taxes to pay General Obligation bonds are paid only until the bonds are retired. While none of the participants were enthusiastic about increased property taxes, they concluded that the GO Bonds were the best option to solve the immediate backlog.

### **2. The Community wants funding solutions that include contributions from everyone who uses Lincoln's streets, including those people who work in Lincoln but live elsewhere.**

Most forum participants viewed taxation of those who lived outside of Lincoln as a simple issue of fairness. They believe those employees who live outside Lincoln use Lincoln's roads as much and sometimes more than Lincoln drivers. They expressed a preference for ideas that taxed both people who live in Lincoln and those who benefit

from Lincoln's status as a regional employer and commercial center, such as the Worker Tax and the Joint Public Transportation Authority (JPTA). The public repeatedly brought up the Worker Tax idea during the meetings. The idea received over 140 "dots" despite not being included in the first forum.

The SRT Committee presenters were careful to tell participants that both ideas still need additional research before they could be implemented. Both ideas need further study on their legality, their structure, and the specific amount of revenue that each would generate. However, the forum attendees were adamant that these ideas continue to be reviewed.

### **3. User fees also are an option.**

Fees that were directly connected to the wear and tear on streets received support. The city occupation tax on gas was offered as both three cents per gallon and five cents per gallon options in the Community Solution forums. A state gasoline tax increase of two cents per gallon was also offered as an option. Those who supported an occupation tax on gasoline articulated their concern that citizens who drive more cause a greater need for new roads, while those who choose public transportation, car pool, ride bikes or use alternate forms of transportation do not. Since gasoline purchases are an indicator of how much a person uses roads, this form of a user tax drew considerable support. Taxes associated with gasoline received more public support than the Committee anticipated. If the dot totals from the three taxes associated with gas are combined, the concept of a user fee on gas received the second-most support of the broad tax options offered.

Of all the options presented, the occupation tax on gas and the vehicle retail sales tax shift were the only user taxes presented. However, shifting the vehicle sales tax from the general fund to pay for streets received the least community support and should not be seriously considered as a funding option at this time.

### **4. The State of Nebraska has an obligation to help fund Lincoln's streets.**

As host to Nebraska's state government, Lincoln derives benefits and disadvantages. Government owned property is exempt from the tax rolls depriving City government of revenues that could be used to help fund streets. Lincoln contributes far more in gas taxes to the State than it receives back from the State Highway Trust Fund. As a consequence, forum attendees generally agreed that the State should provide a more equitable return to communities like Lincoln. They were particularly supportive of the idea to have the State pay for Lincoln's matching fund portion of the South Beltway, as the new highway will be a boon to economic development in Southeast Nebraska as well as Lincoln, and will be an important link in the State's expressway system.

## **VI. Proposals from the SRT Committee**

The SRT Committee believes that a broad consensus has emerged from the Community Solution meetings and asks the Mayor and the City Council to consider the following:

### ***1. Adoption of the Rural Urban Transition Streets plan***

The plan will reduce future transportation costs and ease traffic congestion caused by streets under construction. This method of right-of-way acquisition and road construction could produce significant taxpayer savings.

### ***2. An approximately \$70 million bond for street construction should be brought before voters as soon as possible.***

This option has the most visible support and is the only option that would allow the City to address its street construction backlog. A special election would allow the public to focus on the issue to the exclusion of all other potential election issues and partisan races.

### ***3. Continued investigation of year-to-year funding options that include non-Lincoln residents and/or user fees.***

The SRT Committee determined that the City must identify an ongoing funding source for infrastructure. The Mayor and City Council should consider the feasibility of a Joint Public Transportation Authority tax, a Worker Tax, or a new gas occupation tax proposal for implementation at a later date.

### ***4. Create a Joint Public Transportation Agency (JPTA).***

A JPTA would serve to ensure that year-to-year revenues targeted for road construction are dedicated specifically for road improvements and require the City and County to cooperate on cost-saving measures. The JPTA would be similar in operation to the current Railroad Transportation Safety District. It would be a joint agency governed by elected members of the Lincoln City Council and the Lancaster County Board who are accountable to the voting public.

**The creation of a JPTA may be the best way to realize the cost savings identified by the RUTS program.** The JPTA could broaden the tax base by extending the City wheel tax into the county or possibly levying a countywide occupation tax on gasoline. If a countywide occupation tax on gas were enacted, the JPTA could address the concerns of local gasoline retailers who fear that retailers just outside the city limits would have an unfair competitive advantage if the tax was applied only to the City.

**5. *Ask Lincoln State Senators for State Assistance.***

Whether it is matching funds for the South Beltway, assistance from an increased gas tax, or Highway Trust Fund formula changes, the public and the SRT Committee endorse assistance from the State in developing streets and roads in the Capital City.

**6. *Continue to pursue alternative forms of transportation.***

The SRT recognizes that the findings of the Multi-Modal Task Force are likely to offer other alternatives for reducing traffic congestion and future infrastructure costs. Financing options for the work of the Task Force should be developed, including an appropriate funding source.

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